

State of South Carolina
Before the
South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage) **Docket No. 2009-342-WS**
Services Provided to Customers)

EXHIBIT A

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. _____

IN RE: Application of Avondale Mills, Inc.)	
for Approval of a New Schedule of)	
Rates and Charges for Water and)	APPLICATION FOR
Sewerage Services Provided to)	RATE INCREASE
Customers)	

RECEIVED
PUBLIC SERVICE
COMMISSION
JAN 13 1997

Avondale Mills Inc. ("Avondale") hereby applies to the Public Service Commission of South Carolina ("Commission") for approval of an increase in its existing water and sewer rates pursuant to Commission rules and regulations and S.C. Code Ann. 58-5-240. In support of its application, Avondale provides the following information:

1. Avondale is a closely held corporation organized and existing under the laws of the State of Alabama and is a public utility within the meaning of S.C. Code Ann. 58-5-10(3). Avondale furnishes water distribution service and sewer collection service to 616 water customers and 495 sewer customers in Graniteville and Vauluse communities in Aiken County, South Carolina.
2. Avondale acquired the existing water and sewer system in September 1996 from the Graniteville Company. Commission Order 96-661 in Docket No. 96-144 W/S approved the purchase and granted Avondale a Certificate of Public Convenience and Necessity to operate a water and sewer utility in Aiken County, South Carolina in the territory formerly served by the Graniteville Company.

3. In Commission Order 96-661 in Docket No. 96-144 W/S the Commission approved rates and charges for Avondale which were originally approved for the Graniteville Company in Order No. 80-52 in Docket No. 79-423 W/S dated January 29, 1980.
4. Since the acquisition by Avondale of the water and sewer system in September 1996 Avondale has been operating under water and sewer rates which were originally approved by the Commission in 1980. Since Avondale's acquisition of the water and sewer system, the cost to provide service to its customers has drastically increased from the 1980 cost levels which were the basis of the current rates. Since the acquisition of the system by Avondale, the utilization of bulk water providers (Breezy Hill Water and Sewer Company and Valley Public Service Authority) has resulted in drastic increases in the cost to provide water service versus the provision of water through Avondale's own well system. In addition, the utilization of Aiken County Public Service Authority for sewer treatment has also resulted in increased cost to provide sewer service versus Avondale's own treatment system.
5. The drastic increases in cost to provide water and sewer service since the current rates were approved in 1980, have resulted in the stockholders of Avondale subsidizing the water and sewer operation by \$700,000 - \$800,000 on an annual basis during fiscal years ending in August 2006, 2007 and 2008.
6. In addition to seeking approval of the water and sewer rates contained in this application, Avondale seeks approval of the depreciation rates which have been utilized in this application.

7. Avondale purchases bulk water from Breezy Hill Water and Sewer Company and Valley Public Service Authority and purchases sewer treatment from Aiken County Public Service Authority. In this application Avondale seeks Commission approval of a pass through mechanism to reflect increases from Avondale's bulk water providers and sewer treatment provider.
8. Avondale proposes a test year in this application of 12 months ended August 29, 2008 and has prepared certain financial documents relating to the test period in support of the application, which are attached hereto and incorporated herein by this reference as Exhibits A through H.
9. Avondale commits to file with the Commission prior to a final decision by the Commission in this matter updated water and sewer bonds to satisfy the requirements of S.C. Code Ann. 58-5-720.
10. Avondale commits to file any updates to the current service area maps prior to a final decision by the Commission in this matter.
11. Avondale has included all outstanding water and sewer annual reports as an attachment to this application.
12. All communication or inquiries regarding this application should be directed as set forth below:

Applicant's Representative:

Jack R. Altherr, Jr., President
Avondale Mills, Inc.
506 South Broad Street
Monroe, Georgia 30655
770-267-2226

Legal Counsel:

Scott Elliott, Esquire
721 Olive Street
Columbia, South Carolina 29205
803-771-0555
803-771-8010
selliott@elliottlaw.us

**NEED AND JUSTIFICATION FOR RATE RELIEF
AND RATE SCHEDULE MODIFICATION**

- A. During the twelve month test year ending August 29, 2008, Avondale lost \$864,725 on a per book basis. The resulting Operating Margin is negative 780.33%. After accounting and pro forma adjustments for known and measurable changes, the loss is \$613,099 which results in a negative Operating Margin of 554.35%
- B. The current rates, under which Avondale is now operating, were approved by the Commission in January of 1980, therefore it has been over twenty eight (28) years since rates have been adjusted.
- C. It is the responsibility of the stockholders of Avondale to maintain the financial integrity of the utility. The stockholders have subsidized the water and sewer operation over the last three fiscal years by \$700,000 - \$800,000 on an annual basis. Without the approval of the rates contained in this application funds will not be available to provide proper maintenance, upgrades, and additions that are required to meet the standards mandated by the Department of Health and Environmental Control and other regulatory bodies. Avondale asserts that the rates requested in this application are needed to properly maintain the quality of

service to our customers while mitigating the obligation to subsidize the water and sewer operation currently being experienced by the stockholders.

THEREFORE, having fully set forth its application, Avondale prays that the Commission approve the rates proposed and grant to Applicant such other further relief as the Commission may deem just and proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott Elliott", is written over a horizontal line.

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205
803-771-0555
803-771-8010

Attorney for Applicant

Columbia, SC

December 23, 2008

EXHIBIT A

Propose Schedule of Rates and Charges

EXHIBIT A

AVONDALE MILLS, INC. PROPOSED SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Recurring Charges

RESIDENTIAL & COMMERCIAL CUSTOMERS:

Base Facilities Charge	\$8.00
Commodity Charge	\$4.50 per 1000 Gallons

APARTMENT COMPLEX – MULTIPLE BUILDINGS SERVED BY A SINGLE METER:

Base Facilities Charge	\$50.00
Commodity Charge	\$4.50 per 1000 Gallons

IRRIGATION CUSTOMERS:

Base Facilities Charge	\$12.00
Commodity Charge	\$5.65 per 1000 Gallons

INDUSTRIAL CUSTOMERS:

Base Facilities Charge	\$50.00
Commodity Charge	\$4.50 per 1000 Gallons

2. Nonrecurring Charges

Water Tap-In Fee For New Connections

A. 5/8 " Meter	\$550.00
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B. Meter tap fees for meters larger than 5/8" will be based on a single-family equivalent (SFE) using the DHEC contributory loading criteria.

3. Notification, Account Set-Up, and Reconnection Charges

- A. Notification Fee:** A fee of five dollars (\$5.00) shall be charged each customer to whom the utility mails the notices as required by Commission Rule R. 103-535 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- B. Customer Account Charge:** A one time fee of \$15.00 will be charged to defray the cost of initiating a new customer's service.
- C. Reconnection Charges:** In addition to any other charges that may be due, a reconnection fee of \$35.00 shall be due prior to the utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5.

4. Late Penalty Charge

Avondale may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

5. NSF Check Charge

Avondale may charge a NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

SEWER

1. Monthly Recurring Charges

RESIDENTIAL & COMMERCIAL CUSTOMERS:

Base Facilities Charge	\$6.00
Commodity Charge	\$6.50 per 1000 Gallons

APARTMENT COMPLEX – MULTIPLE BUILDINGS SERVED BY A SINGLE METER:

Base Facilities Charge	\$35.00
Commodity Charge	\$6.50 per 1000 Gallons

INDUSTRIAL CUSTOMERS:

Base Facilities Charge	\$35.00
Commodity Charge	\$6.50 per 1000 Gallons

2. Nonrecurring Charges

Sewer Tap-In Fee For New Connections

A. 5/8" Meter \$550.00

B. Meter tap fees for meters larger than 5/8" will be based on a single-family equivalent (SFE) using the DHEC contributory loading criteria.

3. Notification, Account Set-Up, and Reconnection Charges

- A. Notification Fee: A fee of five dollars (\$5.00) shall be charged each customer to whom the utility mails the notices as required by Commission Rule R. 103-535 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- B. Customer Account Charge: A one time fee of \$15.00 will be charged to defray the cost of initiating a new customer's service.
- C. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R. 103-532.4.

4. Late Penalty Charge

Avondale may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

5. NSF Check Charge

Avondale may charge a NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

EXHIBIT B

**Statement of Net Assets in Liquidation
August 29, 2008**

AVONDALE INCORPORATED

CONSOLIDATED STATEMENT OF NET ASSETS IN LIQUIDATION (UNAUDITED)
(In thousands)

August 29, 2008

ASSETS	
Cash and cash equivalents	\$ 21,083
Accrued interest income	680
Assets - salvage	10,033
Refundable income taxes	3,227
Other assets	1,942
Total assets	<u>36,965</u>
LIABILITIES	
Accounts payable	155
Liquidation reserve	15,125
Commitments and contingencies	<u>15,280</u>
Total liabilities	
NET ASSETS IN LIQUIDATION	\$ 21,685

EXHIBIT C

Proforma Income & Expense Statements

Operating Margins for the Test Year 2008

Adjustments for the Test Year 2008

EXHIBIT C

AVONDALE MILLS, INC. PRO FORMA INCOME AND EXPENSE STATEMENT TWELVE MONTHS ENDED AUGUST 29, 2008

	PER BOOK	PRO FORMA	AS ADJ.	PROP INC.	AFTER INC.
REVENUES:	\$	\$	\$	\$	\$
Metered Water and Sewer	110,816		110,816	613,010(8)	723,826
Total Water and Sewer Revenue	110,816		110,816	613,010	723,826
OPERATING EXPENSES:					
Wages & Taxes	137,981	4,139(1)	142,120		142,120
Contracted Labor	57,279	1,718 (2)	58,997		58,997
Power	6,820		6,820		6,820
Purchased Water	358,509	(222,969)(3)	135,540		135,540
Purchased Sewer Treatment	13,608	46,152(4)	59,760		59,760
Lab Testing	9,253		9,253		9,253
Treatment Chemicals	3,110		3,110		3,110
Maintenance & Repairs	221,985	(109,073)(5)	112,912		112,912
Vehicle Expense	4,753		4,753		4,753
Depreciation	144,456	12,119 (6)	156,575		156,575
Office Supplies and Printing	4,500		4,500		4,500
Telephone Expense	4,500		4,500		4,500
Other Miscellaneous Expense	6,000		6,000		6,000
Licenses, Permits & Taxes	2,787		2,787	4,547(9)	7,334
Rate Case Expenses	0	17,500 (7)	17,500		17,500
Total Operating Expenses	975,541	(250,414)	725,127		729,674
OPERATING INCOME (LOSS)	(864,725)	250,414	(614,311)	608,463	(5,848)
OPERATING MARGIN (LOSS)	(780.32%)		(554.35%)		(.8079%)

EXHIBIT C

EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS

Adjustment # 1 – Avondale proposes to increase wages and taxes to reflect a 3% inflation adjustment.

Adjustment #2 – Avondale proposes to increase contracted labor to reflect a 3% inflation adjustment.

Adjustment #3 – Avondale proposes to reduce purchased water cost to reflect a 20% unaccounted for water factor.

Adjustment #4 – Avondale proposes to increase purchased sewer treatment cost to reflect an annualized expense level.

Adjustment #5 – Avondale proposes to reduce maintenance & repairs to reflect capitalization of an item erroneously included as a maintenance expense in per book expenses.

Adjustment #6 – Avondale proposes to reflect annual depreciation expense related to the item reclassified as a capitalized item in Adjustment #5.

Adjustment #7 – Avondale proposes to reflect rate case expenses such as legal fees, consultant fees and other miscellaneous items such as the projected cost of acquiring updated water and sewer bonds.

Adjustment #8 – Avondale proposes to adjust metered water and sewer revenues based on the company's proposed rates.

Adjustment #9 – Avondale proposes to reflect gross receipts taxes on the proposed increase in water and sewer revenue.

EXHIBIT D

Comparative Income & Expense Statements

For 2007 and the Test Year 2008

EXHIBIT D

AVONDALE MILLS, INC.
COMPARATIVE INCOME AND EXPENSE STATEMENTS
FISCAL YEAR AUGUST 31, 2007 AND TEST YEAR ENDING AUGUST 29, 2008

	AUGUST 31, 2007 \$	AUGUST 29, 2008 \$
REVENUES:		
Metered Water and Sewer Revenue	109,225	110,816
OPERATING EXPENSES:		
Wages & Taxes	141,317	137,981
Contracted Labor	47,446	57,279
Power	4,545	6,820
Purchased Water & Sewer Treatment	316,145	372,117
Lab Testing	8,544	9,253
Treatment Chemicals	1,046	3,110
Maintenance & Repairs	21,028	221,985
Vehicle Expense	6,399	4,753
Depreciation	144,590	144,456
Office Supplies & Printing	113	4,500
Telephone Expense		4,500
Other Miscellaneous Expense	825	6,000
Licenses, Permits & Taxes	131	2,787
TOTAL OPERATING EXPENSES	(1) 692,129	975,541
OPERATING PROFITS (LOSSES)	(582,904)	(864,725)

(1) Operating Expenses during the fiscal year ending August 31, 2007 do not reflect an allocation of corporate overhead, corporate administrative costs or other expenses that were assignable to Avondale's water and sewer operations.

EXHIBIT E

Proposed Revenues

EXHIBIT E

AVONDALE MILLS, INC. CALCULATION OF PROPOSED WATER AND SEWER REVENUE

CUSTOMER CATEGORY:

1) RESIDENTIAL WATER ONLY

42 Customers

3,250,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$8.00
Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$4.50 per 1000

Annualized Water Revenue - Current Rates	\$3,170
Annualized Water Revenue - Proposed Rates	\$18,657

Average Monthly Water Bill - Current Rates	\$6.29
Average Monthly Water Bill – Proposed Rates	\$37.02

2) RESIDENTIAL WATER AND SEWER

469 Customers

26,250,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$8.00
Current Sewer BFC	\$2.05
Proposed Sewer BFC	\$6.00

Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$4.50 per 1000
Current Sewer Commodity Charge	\$.87 per 1000
Proposed Sewer Commodity Charge	\$6.50 per 1000

Annualized Water and Sewer Revenue Current Rates	\$64,646
Annualized Water and Sewer Revenue Proposed Rates	\$367,542

Average Monthly Water and Sewer Bill – Current Rates	\$11.49
Average Monthly Water and Sewer Bill – Proposed Rates	\$65.31

**3) APARTMENT COMPLEX – MULTIPLE BUILDINGS SERVED BY A
SINGLE METER:**

1 Customer

8,000,000 Gallons - Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$50.00
Current Sewer BFC	\$2.05
Proposed Sewer BFC	\$35.00
Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$4.50 per 1000
Current Sewer Commodity Charge	\$.87 per 1000
Proposed Sewer Commodity Charge	\$6.50 per 1000
Annualized Water and Sewer Revenue Current Rates	\$11,101
Annualized Water and Sewer Revenue Proposed Rates	\$89,020
Average Monthly Water and Sewer Bill – Current Rates	\$925.05
Average Monthly Water and Sewer Bill – Proposed Rates	\$7,418.33

4) IRRIGATION

73 Customers

6,750,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$12.00
Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$5.65 per 1000
Annualized Water Revenue Current Rates	\$6,071
Annualized Water Revenue Proposed Rates	\$48,650
Average Monthly Water Bill – Current Rates	\$6.93
Average Monthly Water Bill – Proposed Rates	\$55.54

5) COMMERCIAL WATER ONLY

7 Customers

1,500,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$8.00
Current Water Commodity Charge	\$51. per 1000
Proposed Water Commodity Charge	\$4.50 per 1000
Annualized Water Revenue Current Rates	\$1,017
Annualized Water Revenue Proposed Rates	\$7,422
Average Monthly Water Bill – Current Rates	\$12.11
Average Monthly Water Bill – Proposed Rates	\$88.36

6) COMMERCIAL SEWER ONLY

1 Customer

250,000 Gallons – Annual Consumption

Current Sewer BFC	\$2.05
Proposed Sewer BFC	\$6.00
Current Sewer Commodity Charge	\$.87 per 1000
Proposed Sewer Commodity Charge	\$6.50 per 1000
Annualized Sewer Revenue Current Rates	\$242
Annualized Sewer Revenue Proposed Rates	\$1,697
Average Monthly Sewer Bill – Current Rates	\$20.18
Average Monthly Sewer Bill – Proposed Rates	\$141.42

7) COMMERCIAL WATER AND SEWER

21 Customers

3,750,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$8.00
Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$4.50 per 1000

Current Sewer BFC	\$2.05
Proposed Sewer BFC	\$6.00
Current Sewer Commodity Charge	\$.87 per 1000
Proposed Sewer Commodity Charge	\$6.50 per 1000

Annualized Water and Sewer Revenue Current Rates	\$6,448
Annualized Water and Sewer Revenue Proposed Rates	\$44,778

Average Monthly Water and Sewer Bill – Current Rates	\$25.59
Average Monthly Water and Sewer Bill – Proposed Rates	\$177.69

8) INDUSTRIAL WATER AND SEWER CUSTOMERS

3 Customers

13,000,000 Gallons – Annual Consumption

Current Water BFC	\$3.00
Proposed Water BFC	\$50.00
Current Water Commodity Charge	\$.51 per 1000
Proposed Water Commodity Charge	\$4.50 per 1000

Current Sewer BFC	\$2.05
Proposed Sewer BFC	\$35.00
Current Sewer Commodity Charge	\$.87 per 1000
Proposed Sewer Commodity Charge	\$6.50 per 1000

Annualized Water and Sewer Revenue Current Rates	\$18,122
Annualized Water and Sewer Revenue Proposed Rates	\$146,060

Average Monthly Water and Sewer Bill – Current Rates	\$503.38
Average Monthly Water and Sewer Bill – Proposed Rates	\$4,057.22

EXHIBIT F

**Fixed Assets
August 29, 2008**

**GRANITEVILLE WATER SYSTEM
LOCATION NUMBER 6225
FIXED ASSETS**

Asset Number	Description	Date Acquired	Life	Cost	Depreciation	Accumulated	Accumulated	Accumulated	Accumulated	Accumulated	Accumulated
					Per Month	At 12/31/04	At 8/26/05	At 5/26/06	At 8/25/06	At 8/31/07	At 8/29/08
BUILDINGS (DESIGN)											
137250	Water system design	08/01/01	30	18,764.96	52.12	2,241.37	2,658.37	3,127.49	3,283.87	3,909.37	4,534.87
137591	Water system design	08/01/01	30	38,753.86	107.65	4,413.63	5,274.83	6,243.68	6,588.63	7,858.42	9,150.22
				<u>57,518.82</u>	<u>159.77</u>	<u>6,655.00</u>	<u>7,933.20</u>	<u>9,371.17</u>	<u>9,850.49</u>	<u>11,767.79</u>	<u>13,685.08</u>

MACHINERY & EQUIPMENT

137493	Engineering services	08/01/01	9	4,000.00	37.04	1,518.52	1,814.81	2,148.15	2,299.26	2,703.70	3,148.15
138088	Water system upgrade	03/01/02	9	132,586.74	1,227.66	41,740.27	51,561.51	62,610.41	66,293.37	81,025.23	95,757.09
138089	Water system upgrade	03/01/02	9	86,223.00	799.36	27,144.28	33,531.17	40,716.42	43,111.50	52,691.83	62,272.17
138222	Water system upgrade	06/01/02	9	96,106.00	899.86	28,475.56	35,594.44	43,603.19	46,272.78	56,951.11	67,629.44
138223	Water system upgrade	06/01/02	9	110,321.00	1,021.49	32,687.70	40,869.63	50,053.05	53,117.52	65,375.41	77,633.30
138224	Water system upgrade	06/01/02	9	4,300.00	39.81	1,274.07	1,592.59	1,950.93	2,070.37	2,548.15	3,025.93
138312	Water system upgrade	06/01/02	9	1,300.00	12.04	373.15	469.44	577.78	613.89	758.33	902.78
138313	Water system upgrade	06/01/02	9	42,473.00	393.27	12,191.32	15,337.47	18,876.89	20,066.69	24,775.92	29,495.14
138314	Water system upgrade	06/01/02	9	92,365.00	855.42	26,517.92	33,361.25	41,060.00	43,626.25	53,891.25	64,156.25
138329	Maintenance labor	06/01/02	9	93.10	0.86	26.72	33.62	41.38	43.96	54.31	64.65
138365	Water system upgrade	07/01/02	9	4,665.24	43.38	1,301.46	1,648.51	2,038.95	2,169.09	2,669.67	3,210.26
138386	Water system upgrade	07/01/02	9	59,931.00	554.92	16,947.50	21,086.63	26,061.08	27,745.63	34,404.83	41,063.83
138387	Water system upgrade	07/01/02	9	21,031.00	194.73	5,841.94	7,399.80	9,152.38	9,736.57	12,073.35	14,410.13
138463	Goulds pump	08/01/02	9	22,234.93	205.88	5,970.49	7,617.52	9,470.43	10,088.07	12,558.62	15,028.17
138464	Water system upgrade	08/01/02	9	55,559.00	514.44	14,918.62	19,034.10	23,664.02	25,207.32	31,380.55	37,553.77
138465	8" & 6" valves	08/01/02	9	6,571.00	60.84	1,764.44	2,251.18	2,798.76	2,981.29	3,711.40	4,441.51
138563	Water system upgrade	09/01/02	9	34,124.00	315.96	8,846.96	11,374.67	14,218.33	15,166.22	18,957.78	22,749.33
138564	Water system upgrade	09/01/02	9	8,026.00	74.31	2,080.81	2,675.33	3,344.17	3,567.11	4,458.89	5,350.67
138667	M-900 PLC pipe	09/01/02	9	10,208.00	94.52	2,646.52	3,402.67	4,253.33	4,536.89	5,671.11	6,805.33
138668	Water system upgrade	09/01/02	9	38,763.00	358.92	10,049.67	12,921.00	16,151.25	17,228.00	21,535.00	26,842.00
138736	Upgrade water system	11/01/02	9	2,864.00	26.52	689.48	901.63	1,140.30	1,219.85	1,538.07	1,856.30
138755	Water system upgrade	11/01/02	9	1,725.85	15.98	415.48	543.32	687.14	735.08	926.85	1,118.61
138896	Water system upgrade	01/01/03	9	3,705.00	34.31	823.33	1,097.78	1,408.53	1,509.44	1,921.11	2,332.78
138897	Flowserve tank	01/01/03	9	4,950.00	45.83	1,100.00	1,466.67	1,879.17	2,016.67	2,566.67	3,116.67
138898	AC Model 3400 pump	01/01/03	9	7,970.80	73.80	1,771.29	2,361.72	3,025.95	3,247.36	4,133.01	5,018.65
139005	Water system upgrade	02/01/03	9	17,048.78	157.87	3,630.97	4,893.92	6,314.73	6,788.34	8,682.76	10,577.18
139104	Survey and test water flow	03/01/03	9	746.00	6.91	151.96	207.22	269.39	290.11	373.00	455.89
139717	6" & 8" valves	10/01/03	9	8,278.00	76.65	1,149.72	1,762.91	2,452.74	2,882.69	3,662.46	4,522.24
139763	Freight	11/01/03	9	360.83	3.34	46.77	73.50	103.57	113.59	153.89	193.78
139764	Electric labor	11/01/03	9	790.02	7.32	102.41	160.93	226.77	248.71	338.49	424.27
139815	900 MHZ repeater system	12/01/03	9	10,241.98	94.83	1,222.83	1,991.50	2,844.99	3,129.49	4,267.49	5,405.49

139816	Electric labor	12/01/03	9	1,401.84	12.98	168.74	272.58	389.40	428.34	584.10	739.86
139817	SS valve box	12/01/03	9	392.00	3.63	47.19	76.22	108.89	119.78	163.33	206.89
139818	Water line & french drains	12/01/03	9	59,275.00	548.84	7,134.95	11,525.69	16,465.28	18,111.81	24,697.92	31,294.03
139819	Water system upgrade	12/01/03	9	2,001.84	18.54	240.96	389.25	556.07	611.67	834.10	1,056.53
139857	Electric labor	07/01/04	9	1,022.17	9.46	113.57	189.29	274.47	302.87	416.44	530.01
140398	Pipe fittings	10/01/04	9	484.89	4.49	13.47	49.39	89.79	103.26	157.14	211.02
140445	Honeywell Truline recorder	11/01/04	9	1,853.64	17.16	34.33	171.63	326.10	377.59	583.55	789.51
140495	Electric materials	12/01/04	9	251.27	2.33	2.33	20.94	41.88	48.86	76.78	104.70
140498	Ph controls	12/01/04	9	6,024.00	55.78	55.78	502.00	1,004.00	1,171.33	1,840.67	2,510.00
	Water system upgrade	05/01/05	9	955.97	8.85		32.18	111.94	216.16	324.37	430.59
				<u>963,264.89</u>	<u>8,919.12</u>	<u>260,943.49</u>	<u>332,257.81</u>	<u>412,529.98</u>	<u>439,367.01</u>	<u>546,396.44</u>	<u>653,425.87</u>
Total				1,020,783.71	9,078.89	267,598.50	340,191.01	421,901.15	449,217.50	558,164.23	667,110.95

FY 2006 Depreciation 109,026.49

FY 2007 Depreciation 108,946.73

FY 2008 Depreciation 108,946.73

Cumulative

GRANITEVILLE SEWER SYSTEM LOCATION NUMBER 5226 FIXED ASSETS

Asset Number	Description	Date Acquired	Life	Cost	Depreciation Per Month	Accumulated Depreciation At 12/31/04	Accumulated Depreciation At 8/26/05	Accumulated Depreciation At 5/28/06	Accumulated Depreciation At 8/25/06	Accumulated Depreciation At 8/31/07	Accumulated Depreciation At 8/29/08
LAND											
126775	1.58 acres	05/01/96		12,640.00							
BUILDINGS											
126776	Water treatment building	05/01/96	20	110,000.00	458.33	47,666.67	51,333.33	55,458.33	56,833.33	62,333.33	67,833.33
MACHINERY & EQUIPMENT											
127219	Waste water discharge upgrade	08/01/96	9	3,000.00	27.78	2,805.56	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
127220	Waste water discharge upgrade	08/01/96	9	384.47	3.56	359.55	384.47	384.47	384.47	384.47	384.47
127221	Waste water piping	08/01/96	9	1,120.64	10.38	1,048.01	1,120.64	1,120.64	1,120.64	1,120.64	1,120.64
127690	Waste water piping	11/01/96	9	1,280.52	11.86	1,161.95	1,256.61	1,280.52	1,280.52	1,280.52	1,280.52
127813	Equalization lagoon piping	12/01/96	9	281,438.45	2,605.91	252,773.42	273,620.72	281,438.45	281,438.45	281,438.45	281,438.45
127814	Lagoon piping project	12/01/96	9	1,486.38	13.76	1,334.99	1,445.09	1,486.38	1,486.38	1,486.38	1,486.38
127815	Equalization lagoon upgrade	12/01/96	9	41,112.55	380.67	36,925.16	39,970.53	41,112.55	41,112.55	41,112.55	41,112.55
127866	Waste water piping	01/01/97	9	4,277.94	39.61	3,802.61	4,119.50	4,277.94	4,277.94	4,277.94	4,277.94
137705	Engineering labor	09/01/01	9	7,680.00	71.11	2,844.44	3,413.33	4,053.33	4,266.67	5,120.00	5,973.33
137846	Engineering for sewer system	11/01/01	9	1,600.00	14.81	562.96	681.48	814.81	859.26	1,170.37	1,346.15
137906	Sanitary sewer line	12/01/01	9	23,435.53	217.00	8,028.84	9,764.80	11,717.77	12,366.75	14,972.70	17,576.65
137963	Sewer design	01/01/02	9	4,774.23	44.21	1,591.41	1,945.06	2,342.91	2,475.53	3,006.00	3,536.47
137964	Divert sanitary sewer	01/01/02	9	36,470.57	356.21	12,823.52	15,673.20	18,879.08	19,947.70	24,222.21	28,496.72
138025	Sewer system upgrade	02/01/02	9	2,400.00	22.22	777.78	955.56	1,155.56	1,222.22	1,488.89	1,755.56
138185	Sewer system upgrade	04/01/02	9	174,592.00	1,616.59	53,347.56	66,280.30	80,829.63	85,679.41	105,078.52	124,477.63
						176.06	614.91	764.77	816.76	1,010.60	1,223.63

**AVONDALE MILLS, INC.
WATER BILL**

PLEASE REMIT PAYMENT TO:
AVONDALE MILLS, INC.
P.O. BOX 128
GRANITEVILLE, SC 29829

PHONE: 803-663-2526
803-617-9277
803-645-6136

ACCOUNT #: [REDACTED]

11/13/2008

PREVIOUS READING	CURRENT READING	CURRENT USAGE	
497	506	9000	GALLONS

PREV BALANCE **\$12.89**

CURRENT MONTH CHARGES **\$17.47**

ADJUSTMENTS **\$0.00**

TOTAL DUE **\$30.36**

PLEASE RETURN BOTTOM PORTION WITH YOUR PAYMENT
PAYMENT DUE ON THE 15TH OF THE MONTH

[REDACTED]
[REDACTED] STREET

ACCOUNT #: **AMOUNT DUE**

EXHIBIT H

**Most Recent Approval Letters From the
South Carolina Department of Health
and Environmental Control**

BOARD:
Paul C. Aughtry, III
Chairman
Edwin H. Cooper, III
Vice Chairman
Steven G. Kisner
Secretary



C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment

BOARD:
Henry C. Scott
M. David Mitchell, MD
Glenn A. McCall
Coleman F. Buckhouse, MD

December 16, 2008

Mr. Scott Elliott
Elliot & Elliott, P.A.
721 Olive Street
Columbia, SC 29205

RE: Avondale Mills Water and Sewer Systems
Sewer: SSS000003
Water: 0240002

Dear Mr. Elliott:

In the context of a PSC rate case, the system above has the proper operating permits as noted.

I can be reached at 803-898-4157 or at debessjp@dhec.sc.gov.

Sincerely,

Jeffrey P. deBessonnet, P.E., Director
Water Facilities Permitting Division

State of South Carolina

Before the

South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage)
Services Provided to Customers)

Docket No. 2009-342-WS

EXHIBIT B

State of South Carolina
Before the
South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage) **Docket No. 2008-460-WS**
Services Provided to Customers)

Direct Testimony
Of
Jack R. Altherr, Jr.

On Behalf of
Avondale Mills, Inc.

March 19, 2009

1 **Q. Please state your name and business address.**

2 A. My name is Jack R. Altherr, Jr., my business address is 506 South Broad Street, Monroe,
3 Georgia 30655.

4 **Q. Where are you employed and in what capacity?**

5 A. I am employed by Avondale Mills, Inc. ("Avondale") where I serve as Vice Chairman,
6 President, CEO and CFO.

7 **Q. What is your educational background and work experience?**

8 A. I graduated from the University of Alabama with a BS in Chemistry in 1971. I earned
9 my MBA from the University of Alabama in 1976. I served in the US Naval Reserve
10 from 1971-1974. As a Lieutenant Junior Grade, I served as a Disbursing Officer at
11 Guantanamo Bay, Cuba. As a CPA, I was employed by Arthur Young & Company in
12 Alabama where I served as an auditor and consultant from 1976 to 1981. In 1981 I was
13 employed by the Birmingham Bolt Company as controller. I joined Avondale Mills, Inc.
14 in 1982 where I have worked continuously since.

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony is to sponsor the application filed by Avondale for an
17 adjustment of existing water and sewer rates and the establishment of rates for certain
18 other water and sewer services.

19 **Q. Would you please explain why Avondale has filed the water and sewer rate
20 application?**

21 A. Avondale acquired the existing water and sewer system in September 1996 as part of the
22 assets purchased from the Graniteville Company. Since the acquisition of the water and
23 sewer system Avondale has operated the system under monthly rates which were

1 approved by the Public Service Commission of South Carolina ("Commission") in 1980.
2 Since the acquisition of the system, the cost to provide water and sewer service has
3 increased drastically. From the date of acquisition of the water and sewer system in 1996
4 until the shutdown of Avondale's textile operation in 2006, the textile operation provided
5 a substantial subsidy to the water and sewer operation. Since the shutdown of Avondale
6 in 2006 the shareholders of Avondale have provided substantial subsidies ranging from
7 \$700,000 - \$800,000 per year over the last three fiscal years.

8 The shareholders of Avondale have a responsibility to their customers and various
9 regulatory agencies to maintain the financial integrity of the company. This application
10 was necessitated to provide proper maintenance to meet the standards mandated by the
11 Department of Health and Environmental Control. The rates contained in our application
12 will allow Avondale to maintain the system in a satisfactory manner and will mitigate the
13 obligation of Avondale's shareholders to subsidize the water and sewer operation. The
14 level of financial loss contained in our application demonstrates the need for the rate
15 relief requested.

16 **Q. Mr. Altherr, what test year has Avondale utilized in the financial statements**
17 **contained in this application?**

18 **A. Avondale's fiscal year ends on the last Friday in the month of August. In this application**
19 **we have used the fiscal year ending August 29, 2008 as our test year. This was the most**
20 **recent twelve-month period for which full data was available at the time of our rate**
21 **filing.**

22 **Q. Would you please provide a brief explanation of the exhibits contained in**
23 **Avondale's rate filing?**

1 **A. Yes.**

2 **Exhibit A: This exhibit contains the proposed monthly recurring water and sewer**
3 **rates. In addition this schedule reflects Avondale's request for the approval of new rates**
4 **for tap in fees, notification fees, account set up fees, reconnections charges, and late**
5 **penalty charge.**

6 **Exhibit B: This exhibit reflects Avondale's audited Statement of Net Assets in**
7 **Liquidation at August 29, 2008.**

8 **Exhibit C: This exhibit reflects Avondale's Pro Forma Income and Expense**
9 **Statement for the test year ended August 29, 2008. This schedule shows a per book loss**
10 **during the test year of \$864,725 and a negative operating margin of 780.32%. After**
11 **accounting and pro forma adjustments, an operating loss of \$614,311 and a negative**
12 **operating margin of 554.35% results. Finally, after the proposed increase and pro forma**
13 **accounting adjustments, an operating loss of \$5,848 and a negative operating margin of**
14 **.8079% are reflected.**

15 **Exhibit D: This exhibit reflects comparative income and expense statements for**
16 **the water and sewer operation of Avondale. This schedule further demonstrates the**
17 **substantial loss from the water and sewer operation experienced during the latest two**
18 **fiscal years.**

19 **Exhibit E: This exhibit contains the calculation of the annualized increase in water**
20 **and sewer revenue included in the company's application. This calculation is based on**
21 **customer specific usage data for the test period.**

22 **Exhibit F: This exhibit reflects a detailed listing of the water and sewer fixed**
23 **assets. In addition, this exhibit reflects the annualized depreciation expense and the**

1 accumulated depreciation through the end of the test period. Avondale is seeking
2 approval of the depreciation rates contained in this exhibit as a part of our application.

3 Exhibit G: This exhibit reflects a copy of the current customer bill form utilized in
4 billing the company's customer on a monthly basis. In conjunction with ORS's audit,
5 Avondale has agreed to revisions to our existing customer bill form.

6 Exhibit H: This exhibit contains a letter from the Department of Health and
7 Environmental Control, dated December 16, 2008, asserting that Avondale has the proper
8 operating permits related to the water and sewer system.

9 **Q. Mr. Altherr, would you please provide a brief explanation of the pro forma**
10 **accounting adjustments included in Exhibit C?**

11 **A. Yes, Avondale has included 9 accounting and pro forma adjustments to the per book**
12 **revenues and expenses to reflect known and measurable changes in our rate application.**

13 Accounting and pro forma adjustments 1 and 2 propose to increase wages and
14 contract labor to reflect a 3% inflation adjustment.

15 Accounting and pro forma adjustment 3 reflects a reduction in per book purchased
16 water to reflect a 20% unaccounted for water factor.

17 Accounting and pro forma adjustment 4 reflects an increase in purchased sewer
18 treatment expense. This adjustment was made to reflect an annualized expense level and
19 a recent increase in treatment expense from the Aiken County Public Service Authority.

20 Accounting and pro forma adjustment 5 reflects a reduction in maintenance and
21 repair expense to reclassify an item which should have been capitalized.

22 Accounting and pro forma adjustment 6 reflects annualized depreciation expense
23 on the item capitalized in accounting and pro forma adjustment 5.

1 Accounting and pro forma adjustment 7 reflects rate case expenses incurred by
2 the company in conjunction with this filing.

3 Accounting and pro forma adjustment 8 reflects the proposed increase in monthly
4 water and sewer revenue as reflected in Exhibit E of the company's application.

5 Accounting and pro forma adjustment 9 reflects the gross receipts taxes on the
6 proposed increase in water and sewer revenue.

7 **Q. What ratemaking methodology does the company propose that the Commission**
8 **employ in this rate case?**

9 **A. Avondale proposes that the Commission utilize an operating margin methodology in this**
10 **rate case filing.**

11 **Q. Mr. Altherr, does this conclude your testimony?**

12 **A. Yes, it does.**

State of South Carolina
Before the
South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage) **Docket No. 2009-342-WS**
Services Provided to Customers)

EXHIBIT C

State of South Carolina
Before the
South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage) **Docket No. 2008-460-WS**
Services Provided to Customers)

Direct Testimony

Of

G. Stephen Felker, Jr.

On Behalf of

Avondale Mills, Inc.

March 19, 2009

1 **Q. Please state your name and business address.**

2 A. G. Stephen Felker, Jr. My business address is 506 South Broad Street, Monroe, Georgia
3 30655.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Avondale Mills, Inc. ("Avondale") as Vice-President of Corporate
6 Development.

7 **Q. What are your duties and responsibilities as Vice-President of Avondale Mills, Inc.?**

8 A. I am responsible for certain of the day to day operations for Avondale including legal and
9 environmental matters, the marketing and sale of certain of Avondale's real estate assets
10 and the operations of Avondale's water and wastewater utility services in Graniteville,
11 South Carolina.

12 **Q. Please tell the Public Service Commission about your background.**

13 A. I earned my Bachelor of Arts degree from Vanderbilt University in 2001. I am the fifth
14 generation in my family to work for Avondale and have been employed by the company
15 for the past twelve years. I currently reside in Monroe, Georgia with my wife.

16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony is to describe Avondale's water and wastewater treatment
18 systems in support of its application for an adjustment of its existing water and sewer
19 rates and the establishment of rates for certain other wastewater and sewer services.

20 **Q. Please describe Avondale Mills.**

21 A. Avondale was founded in approximately 1895 as a textile manufacturer which, at the
22 height its business, was a highly diversified producer of products such as denim and piece
23 dyed fabrics for clothing lines, yarn for the knitting industry, and specialized industrial

1 and high tech fabrics used in applications such as bridges, automobiles and surgical
2 settings. In 1996, Avondale bought the assets of the Graniteville Company, a textile
3 manufacturer which had operated continuously in Graniteville, South Carolina since
4 1845. With its acquisition of the Graniteville Company, Avondale operated textile plants
5 in three states including South Carolina. In July 2006, Avondale permanently ceased
6 operating its manufacturing facilities in Graniteville after a tragic railroad train
7 derailment and subsequent chlorine spill in January 2005 that killed six Avondale
8 associates and injured hundreds. In addition, many of Avondale's facilities were
9 contaminated along with other homes and buildings in the area. Avondale was unable to
10 recover from the train derailment and has ceased all manufacturing operations. Avondale
11 is liquidating all of its assets, including those in the Graniteville-Vaucluse communities.
12 In fact, having sold all but one of its industrial properties in the area, Avondale now owns
13 very few assets in Graniteville other than its water and wastewater systems.

14 **Q. Please describe the water and wastewater systems.**

15 **A.** The water and wastewater systems were constructed and operated by Graniteville Mills
16 and provided water and wastewater services for its textile manufacturing plants as well as
17 for certain residential and commercial customers in the Graniteville-Vaucluse area. In
18 1996, Avondale acquired the water and wastewater systems as a part of its purchase of
19 the assets of the Graniteville Company. Avondale purchases its potable drinking water
20 from the Breezy Hill Water District and the Valley Public Service Authority. Avondale
21 provides collection only wastewater service and transports all wastewater through its
22 trunk lines to the Aiken County Public Service Authority water and wastewater treatment
23 plant. In addition to Mr. Altherr and me, Avondale's sewer and water system employs an

1 operations manager and a bookkeeper/billing manager in Graniteville, South Carolina.
2 Avondale contracts for the services of a certified operator as well as for plumbing and
3 construction contractors.

4 **Q. Please describe Avondale's customer base.**

5 A. The majority of Avondale's water and wastewater customers are residential and
6 commercial; however, there is some industry operating within the service area. Avondale
7 currently has 511 residential customers, 28 commercial customers, 3 industrial, one
8 multi-family customer and 73 irrigation customers.

9 **Q. What are Avondale's current water and wastewater rates?**

10 A. Avondale is still charging the rates approved by the Public Service Commission and
11 charged by Graniteville Company when Avondale purchased the system in 1996.
12 Currently, Avondale's typical residential water and wastewater customer pays \$9.23 per
13 month. These rates have been in effect since the Commission's last order in 1980 in
14 Order Number 1980-52 in Docket No. 1979-423 W/S.

15 **Q. Why is Avondale seeking a rate increase at this time?**

16 A. The water and wastewater systems serve a different market from that of 1980. The large
17 textile operations are closed. Historically, the Graniteville Company and Avondale
18 subsidized their residential and commercial customers by the revenues generated from
19 their industrial sales. With loss of manufacturing in the Graniteville-Vaughn area, the
20 need has arisen for more realistic rates for the residential and commercial customer. The
21 water and wastewater systems were designed with the capacity to serve a number of
22 textile manufacturing plants which consume large amounts of water. With the loss of the
23 textile manufacturing customers, the system now works at less than the full capacity for

1 which it was designed.

2 **Q. Do you feel as though the rates requested are fair and reasonable?**

3 **A. Yes. As I have stated, since its acquisition of the water and wastewater systems in**
4 **September of 1996, Avondale has been operating under water and sewer rates which**
5 **were approved in 1980. Avondale has closed its wells and surface water treatment**
6 **systems and purchases water in bulk from the Breezy Hill Water & Sewer Authority and**
7 **Valley Public Service Authority. In addition, Avondale has closed its wastewater**
8 **treatment facilities and transports the sewage to the Aiken County Public Service**
9 **Authority for treatment. The cost of closing our own treatment facilities when combined**
10 **with the increasing rates charged by the Breezy Hill Water & Sewer Authority, Valley**
11 **Public Service Authority and the Aiken County Public Service Authority have increased**
12 **Avondale's treatment costs. For these reasons, the cost of providing service to our**
13 **customers today has increased dramatically from the 1980 cost levels which serve as the**
14 **basis of our current rates. We regret that circumstances compel us to request a rate**
15 **increase at this time. However, if Avondale is to continue to provide reliable water and**
16 **wastewater services to its customers, it will require a more realistic rate schedule so as to**
17 **provide it an adequate economic footing to do so.**

18 **Q. Does this conclude your testimony?**

19 **A. Yes, but before I conclude, I would thank the Public Service Commission for giving us**
20 **the opportunity to appear today and present our case.**

State of South Carolina

Before the

South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage)
Services Provided to Customers)

Docket No. 2009-342-WS

EXHIBIT D

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

WILLIE J. MORGAN

APRIL 9, 2009



DOCKET NO. 2008-460-WS

**Application of Avondale Mills,
Incorporated for Approval of a New
Schedule of Rates and Charges for Water
and Sewerage Services Provided to
Customers in Aiken County, South
Carolina**

1 **DIRECT TESTIMONY OF WILLIE J. MORGAN**
2 **FOR**
3 **THE OFFICE OF REGULATORY STAFF**
4 **DOCKET NO: 2008-460-WS**
5 **IN RE: AVONDALE MILLS, INCORPORATED FOR**
6 **APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR**
7 **WATER AND SEWERAGE SERVICES PROVIDED TO CUSTOMERS IN**
8 **AIKEN COUNTY, SOUTH CAROLINA**

9
10 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
11 **OCCUPATION.**

12 **A.**My name is Willie J. Morgan, and my business address is 1401 Main
13 Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State
14 of South Carolina Office of Regulatory Staff ("ORS") as the Program Manager
15 for the Water and Wastewater Department.

16 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
17 **EXPERIENCE.**

18 **A.**I received a Bachelor of Science Degree in Engineering from the
19 University of South Carolina in 1985 and a Master of Arts Degree in Management
20 from Webster University in 2000. I am a licensed Professional Engineer
21 registered in the State of South Carolina. My professional affiliations include
22 membership in the American Water Works Association ("AWWA"), the South
23 Carolina Section of the American Water Works Association ("SC-AWWA") and

1 the National Society of Professional Engineers ("NSPE"). Also, I serve as a
2 Director for the Columbia Chapter of the South Carolina Society of Professional
3 Engineers. After graduating from the University of South Carolina, I was
4 employed by the South Carolina Department of Health and Environmental
5 Control ("DHEC") as an Environmental Engineer Associate. Later, I was
6 promoted to the position of Permitting Liaison where I assisted industries and the
7 public with environmental permitting requirements in the State of South Carolina.
8 This assistance included providing information about air quality, solid and
9 hazardous waste management, and water and wastewater management
10 requirements. I was employed by DHEC for nineteen years. In October, 2004, I
11 joined ORS as the Program Manager for the Water and Wastewater Department.

12 **Q. DO YOU HAVE ANY PUBLICATIONS TO YOUR CREDIT?**

13 **A.** Yes.

14 **Q. WHAT ARE THE NAMES OF SOME OF THOSE PUBLICATIONS?**

15 **A.** While at DHEC, I published several editions of a document called "A
16 General Guide to Environmental Permitting in South Carolina." This guide is a
17 summary of the various environmental requirements that affect businesses and
18 industries located or operating within the State of South Carolina. Another
19 publication I authored includes a document called "Environmental Protection
20 Fees." This document is a summary of the fees charged for environmental
21 programs. It includes detailed information about the fees collected by water
22 utilities to implement the Safe Drinking Water Act Regulatory Program, fees
23 collected from wastewater utilities to manage the National Pollution Discharge

1 Elimination System ("NPDES") Program, and fees collected for construction
2 activities associated with water and wastewater utilities.

3 **Q. HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**
4 **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**
5 **FACILITIES?**

6 A. I have over twenty-three years of regulatory compliance experience
7 providing assistance and regulatory oversight for water and wastewater facilities
8 and services.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my testimony is to set forth the ORS staff findings relative
12 to my review of the rate increase application submitted by Avondale Mills, Inc.
13 ("Avondale"). Specifically, I will focus on Avondale's compliance with the
14 Public Service Commission of South Carolina's ("Commission" or "PSC") rules
15 and regulations, ORS's Business Compliance Review of Avondale's water and
16 wastewater systems, test-year revenue and calculated proposed revenue, and
17 performance bond requirements.

18 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
19 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

20 A. Yes, my testimony and the attached exhibits detail ORS's findings and
21 recommendations.

22 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
23 **TESTIMONY AND EXHIBITS.**

1 A. I used ORS Business Office Compliance Review results, information
2 provided by Avondale in its application and additional information provided by
3 Avondale during the course of our business review and facility site inspections. I
4 also reviewed Avondale's financial statements and performance bond documents
5 submitted to the Commission.

6 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**
7 **TYPES AND CUSTOMER BASE SERVED BY AVONDALE.**

8 A. Avondale is a public utility providing water distribution/treatment services
9 and wastewater collection services. Avondale is a National Association of
10 Regulatory Utility Commissioners ("NARUC") Class C water and wastewater
11 utility according to water and sewer revenues reported on its application for the
12 test year ending August 29, 2008. Avondale's service area includes a portion of
13 Aiken County. According to Avondale's application for the test year ending
14 August 29, 2008, water distribution services were provided to 616 customers and
15 wastewater collection services were provided to 495 customers in the Graniteville
16 and Vacluse communities in Aiken County, South Carolina.

17 **Q. PLEASE EXPLAIN EXHIBIT WJM-1 OF YOUR REPORT.**

18 A. Exhibit WJM-1, consisting of three pages, provides a summary of the
19 Business Office Compliance Review completed by ORS. During the Business
20 Office Compliance Review, ORS reviewed Avondale's office records to
21 determine compliance with Commission rules and regulations.

22 Avondale utilizes a computer database to capture all customer account
23 transactions. Avondale tracks customer complaints manually. Customers are

1 billed in arrears monthly and bills are issued in a timely manner. Disconnect
2 notices are issued to delinquent customers. Avondale offers payment plans to
3 customers. Avondale has complied with the Annual Report and Gross Receipts
4 filing requirements as well.

5 **Q. PLEASE EXPLAIN EXHIBIT WJM-2 OF YOUR REPORT.**

6 A. Exhibit WJM-2, consisting of two pages, is a summary of the water
7 distribution and treatment system and the wastewater collection system inspected
8 by ORS on February 24, 2009.

9 **Water Treatment and Distribution System**

10 Avondale currently provides adequate water treatment and distribution
11 services to its residential, commercial, and industrial customers. Water is
12 provided to customers by Avondale from two outside bulk water providers,
13 Breezy Hill Water and Sewer Company (BHWSC) and Valley Public Service
14 Authority (VPSA). Required operator logs were being kept at the facility audited
15 by ORS. As required by the Commission regulations, general housekeeping items
16 including system entry points, access roads and signage were found to be
17 satisfactory during the audit. Potable water and irrigation consumption is metered
18 to all known customers. Avondale provides fire protection service to its
19 customers in the Graniteville and Vacluse communities. DHEC rated the system
20 as "Unsatisfactory" during its last sanitary survey on August 26, 2008 due to
21 several deficiencies including inadequate pressure, fire flow protection, and
22 valve/hydrant maintenance deficiencies. When problems are identified, Avondale
23 appears to address the issues in a timely manner. No construction activity is

1 being proposed by Avondale for its water distribution system and no immediate
2 need exists for any major upgrade to the current system.

3 **Wastewater Collection System**

4 Avondale provides wastewater collection services and Aiken County
5 Public Service Authority treats and disposes of the wastewater. During the ORS
6 inspection, the wastewater collection system was operating adequately and in
7 accordance with DHEC rules and regulations. No construction activity is being
8 proposed by Avondale for its wastewater collection and no immediate need exists
9 for any major upgrade to the current system.

10 **Q. EXPLAIN THE TEST YEAR REVENUE INFORMATION COMPUTED**
11 **BY ORS FOR AVONDALE.**

12 **A.** Exhibit WJM-3 summarizes Avondale's service revenues for the test year
13 ending August 29, 2008. ORS used consumption data provided by Avondale and
14 verified during the audit. In addition, ORS used Avondale's current and proposed
15 rates as reflected in the application for these calculations. In summary, ORS
16 calculated Avondale's test year service revenue for water operations, as adjusted,
17 of \$54,052. ORS calculated Avondale's test year service revenue for wastewater
18 operations, as adjusted, of \$56,714. An adjustment of (\$50) was made by ORS
19 due to rounding by Avondale in its application of the per gallon rate for
20 wastewater service. ORS calculated test year revenues for combined operations,
21 as adjusted, of \$110,766. For comparison purposes, ORS calculated Avondale's
22 proposed water service revenues, as adjusted, of \$353,669. ORS calculated
23 Avondale's proposed wastewater service revenues, as adjusted, of \$370,157. At

1 Avondale's proposed rates, combined operating revenue, as adjusted, would total
2 \$723,826. ORS did not factor customer growth into these revenue comparisons.
3 As shown in Exhibit WJM-4, the projected growth for Avondale is approximately
4 -0.3236% for water service. There is no growth expected for sewer service.

5 **Q. PLEASE EXPLAIN EXHIBIT WJM-5 OF YOUR REPORT.**

6 A. Exhibit WJM-5 is a summary of the current PSC approved rates for
7 Avondale and Avondale's proposed rates. From a review of Avondale's records,
8 ORS found that an allowance for future uncollectible accounts or bad debt
9 expense of approximately 0.4514% to be appropriate. This is computed using the
10 current recorded bad debt amount of \$500 and the as adjusted revenues of
11 \$110,766. This amount is consistent with historical records provided by
12 Avondale for customer accounts that have been written off by Avondale as
13 uncollectible.

14 **Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**
15 **AVONDALE.**

16 A. Avondale has a current performance bond on file with the Commission
17 for water and sewer operations using a Certificate of Deposit as surety in the
18 amount of \$30,000 for water and \$30,000 for sewer operations. Based on the
19 expenses from the test year and using the criteria set forth in 26 S.C. Code Regs.
20 103-512.3.1 and 103-712.3.1, ORS determined that the face amount of
21 Avondale's bond should be \$265,000 for water operations and \$275,000 for
22 wastewater operations (Exhibit WJM-6). Avondale's adjusted bonding criteria
23 expenses for the test year were \$260,412 for water operations and \$273,238 for

1 wastewater operations. Combined bonding criteria expenses, as adjusted totaled
2 \$533,650 for the test year ending August 29, 2008. ORS respectfully requests
3 that the Commission increase the Avondale performance bond requirements for
4 water and wastewater operations to \$265,000 and \$275,000 respectively as it is in
5 the public interest for Avondale to obtain a bond that satisfies the criteria as set
6 forth in S.C. Code Ann. § 58-5-720 (Supp. 2008).

7 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**
8 **RECOMMENDATIONS?**

9 A. ORS recommendations are based on the conclusions outlined in the
10 Florida Public Service Commission Water and Wastewater System Regulatory
11 Law as recommended by the NARUC staff. ORS's approach and conclusions
12 made concerning depreciation are consistent with the Public Utility Depreciation
13 Practices manual as published by NARUC in 1996.

14 **Q. WHAT CONCERNS DO YOU HAVE REGARDING WATER LOSS IN**
15 **THE WATER DISTRIBUTION SYSTEM OPERATED BY AVONDALE?**

16 A. Utilities can no longer afford to ignore inefficiencies in their water
17 distribution systems. Increases in pumping, treatment and operational costs make
18 water losses cost prohibitive. Water loss on Avondale's system is ultimately
19 passed on to the customers in the form of higher rates. The BHWSC and VPSA
20 charges to the utility are based on the cost of all water provided to Avondale
21 through the two master meters. This cost is shared by all customers. According
22 to the EPA, an 8% allowance for "unaccounted for water" is acceptable; but
23 unaccounted for water loss of more than 12% requires priority attention and

1 corrective action. The 8% allowance is consistent with Commission Order No.
2 2000-0354 in Docket No. 1999-344-W/S for Pinebrook of Spartanburg which
3 “allowed 7.5% as a reasonable percentage for lost water” and Order No. 91-231 in
4 Docket No. 90-124-W/S. For the test year, Avondale provided ORS with
5 information stating that it purchased 160,647,650 gallons of water and sold
6 62,500,000 gallons of water to its customers. The difference is 98,147,650
7 gallons, which represents a loss of approximately 61.09%. Unaccounted for water
8 is the difference between water supplied (metered at the master meter) and
9 metered use (i.e., sales plus non-revenue producing metered water).

$$\text{Unaccounted for water (\%)} = \frac{(\text{Supplied} - \text{metered use}) \times 100\%}{(\text{Supplied})}$$

10
11 In its application, Avondale proposes to reduce its purchased water cost to a
12 quantity equivalent to 20% above the water purchased by its customers. This
13 amount of unaccounted for water is 12,500,000 gallons which equals \$135,540 in
14 purchased water expense. This adjustment proposed by Avondale reduces the
15 “Purchased Water” expense by \$222,969. Using the above equation and proposed
16 reduction in water purchased, Avondale will be charging its customers for
17 approximately 8% in unaccounted for water. ORS finds the quantity of
18 unaccounted for water and its equivalent dollar amount after the proposed
19 adjustment used in Avondale’s application to be acceptable.

20 **Q. HOW CAN AVONDALE RESOLVE ITS WATER LOSS PROBLEM?**

21 A. In an effort to eliminate or lower unaccounted for water statistics,
22 Avondale is in the process of conducting a comprehensive water audit on its

1 system. According to the American Water Works Association (AWWA) Manual
2 of Water Supply Practices, Water Audits and Leak Detection, 2nd Ed., page 2,
3 "Water audits should be performed annually to help managers adjust priorities,
4 monitor progress, identify new areas of system losses, and establish new
5 maintenance goals." A water audit can identify how much water is lost and what
6 that loss is costing the utility and its customers. Records and system control
7 equipment (such as meters) should be checked for accuracy. The overall goal of
8 the audit is to assist Avondale in the selection and implementation of programs to
9 reduce distribution system losses and thus help to avoid higher rates for the
10 customers. The water audit should be followed by the development of a leak
11 detection program. The implementation of a leak detection program can help
12 Avondale reduce water and revenue losses and make better use of water
13 resources. Therefore, the ORS recommends that Avondale continue with an
14 annual audit and to consider implementing actions recommended by the audit.

15 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

16 **A. Yes it does.**

**REVIEW OF WATER AND WASTEWATER SERVICES
AVONDALE MILLS, INC.
DOCKET: 2008-460-WS**

The Office of Regulatory Staff (“ORS”) of South Carolina performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of Avondale Mills, Inc. (“Avondale”) in preparation for this rate case. Avondale currently provides water distribution and treatment, and wastewater collection services to commercial, industrial and residential customers in Avondale’s service area. This includes a portion of Aiken County. As of August 29, 2008, Avondale was providing water services to 616 water customers along with 39 fire hydrants and wastewater services to 495 customers. Construction for initial portions of the system began in the early 1930's.

The ORS Consumer Services Department received no consumer complaints regarding Avondale during the test year. Since the Notice of Filing was mailed to Avondale’s customers, the Public Service Commission has received no Petitions to Intervene.

ORS determined Avondale provides adequate water distribution and treatment service and wastewater collection service. However, during Avondale’s latest sanitary survey, DHEC rated the drinking water system as “Unsatisfactory” due to several deficiencies including inadequate pressure, fire flow protection, and valve/hydrant maintenance deficiencies.

The following 2 pages provide a summary of the ORS Business Compliance Audit results.



ORS BUSINESS OFFICE COMPLIANCE REVIEW: Water/Sewer Company

Utility: Avondale Mills, Inc.
 Inspector: Willie Morgan
 Office: 128 Marshall Street, Graniteville
 Utility Type: Water & Wastewater
 Date: February 24, 2009
 Company Representative: Mr. Jack R. Altherr, Jr., Mr. G. Stephen Felker, Jr., Mr. Jimmy W. Fredrick, Ms. Susan B. Johnson, & Mr. Marion Malcom

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		Accounting records maintained in Monroe, GA and customer account records maintained in Graniteville, SC.
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		Backflow prevention devices maintained by customers.
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		No deposit is charged. However, a \$25.00 connection fee is charged to all customers upon setting up a new account.
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		
7	Bill forms in accordance with R.103-532 and R.103-732.		X	Missing date meter readings occur. Missing rate schedule or reference rate schedule available upon request.
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514.C and 103-714.C.	X		

Exhibit WJM-1

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Utility verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the utility has at present time.			According to the application: 616 water and 495 sewer customers
17	Utility has a current performance bond on file with the Commission. Amount of bond: \$30K for water and \$30K for sewer		X	In the application, the utility commits to updating the bonds for water & sewer prior to a final decision by PSC.
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	February 24, 2009
Inspector Name:	Willie Morgan
Docket Number:	2008-460-WS
Utility Name:	Avondale Mills, Inc.
Utility Representative:	Mr. G. Stephen Felker, Jr. & Mr. Jimmy W. Frederick
Number of Customers:	495
System Type (collection, force main, lagoon, etc):	Collection, force main to Aiken County Public Service Authority
Location of System:	Graniteville & Vacluse
Location of Utility Office:	128 Marshall Street, Graniteville
Treatment Type:	None
Permit #:	SSS000003
Last SC DHEC Compliance Rating:	N/A
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Avondale Mills, Inc.

Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator		X	
2	Other chemicals in use			N/A
3	Aerators present		X	
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition			N/A
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable			N/A
11	Grease build-up acceptable	X		
12	Plant free of debris			N/A
13	Effluent Color acceptable	X		
14	Lift Stations present	X		2 lift stations present
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

Additional Comments:

Debris accumulated in one of the pumping stations requiring immediate attention (i.e., routine removable of debris from pumping area, etc.).



ORS WATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	February 24, 2009
Inspector Name:	Willie Morgan
Docket Number:	2008-460-WS
Utility Name:	Avondale Mills, Inc.
Utility Representative:	Mr. G. Stephen Felker, Jr. & Mr. Jimmy W. Frederick
Number of Customers:	616
System Type (distribution, well, etc):	Distribution
Location of System:	Graniteville & Vacluse
Location of Utility Office:	128 Marshall Street, Graniteville
Treatment Type:	Chlorination
Permit #:	0240002
Last SC DHEC Compliance Rating:	Unsatisfactory - August 26, 2008
Frequency checked by Licensed Operator:	Daily
Wastewater Provider:	Avondale Mills, Inc.

Inspection Overview

	System Components Inspected	Specific Type	#	P S I	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites		0					
2	Pump Houses		0					
3	Storage Tank	Pressurized	0					
3a	Storage Tank	Non-Pressurized	0					
3b	Storage Tank	Overhead	0					
4	Chlorinator		1			X		
5	Other Chemicals in use							None
6	Meters					X		616
7	Fire Hydrants		39			X		
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		
11	Water free of sand					X		
12	Water clarity					X		
13	System free of leaks						X	Leak at booster pump
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		

Additional Comments:

Leak was located at the booster pump serving the Laurel Drive area. Seals appear to be broken.

AVONDALE MILLS, INC.
2008-460-WS
REVENUE IMPACT ANALYSIS

EXHIBIT WJM-3

Calculated Test Year Revenue Overview

Service Type	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues (1)
Water	Residential	29,500,000	\$0.51	511	\$3.00	\$33,441
	Commercial	5,250,000	\$0.51	28	\$3.00	\$3,688
	Apartment Complex - MB	8,000,000	\$0.51	1	\$3.00	\$4,116
	Industrial	13,000,000	\$0.51	3	\$3.00	\$6,738
	Irrigation	6,750,000	\$0.51	73	\$3.00	\$6,071
	Wholesale	0	\$0.355	0	\$0.00	\$0
	Water Service Total	62,500,000		616		\$54,052
Sewer	Residential	28,250,000	\$0.869	469	\$2.05	\$34,349
	Commercial	4,000,000	\$0.869	22	\$2.05	\$4,017
	Apartment Complex - MB	8,000,000	\$0.869	1	\$2.05	\$6,977
	Industrial	13,000,000	\$0.869	3	\$2.05	\$11,371
	Sewer Service Total	51,250,000		495		\$56,714
Total Operating Revenues		113,750,000		1,111		\$110,766

Calculated Avondale Mills, Inc. Proposed Revenue Overview

Service Type	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Proposed Calculated Revenues (1)	Increase Amount	% Increase
Water	Residential	29,500,000	\$4.50	511	\$8.00	\$181,808	\$148,365	443.68%
	Commercial	5,250,000	\$4.50	28	\$8.00	\$28,313	\$22,627	613.66%
	Apartment Complex - MB	8,000,000	\$4.50	1	\$50.00	\$38,600	\$32,484	789.21%
	Industrial	13,000,000	\$4.50	3	\$50.00	\$60,300	\$53,582	794.92%
	Irrigation	6,750,000	\$5.65	73	\$12.00	\$48,650	\$42,578	701.35%
	Water Service Total	62,500,000		616		\$353,669	\$299,617	554.31%
	Residential	28,250,000	\$6.50	469	\$6.00	\$204,393	\$170,044	495.05%
Sewer	Commercial	4,000,000	\$6.50	22	\$6.00	\$27,584	\$23,567	586.68%
	Apartment Complex - MB	8,000,000	\$6.50	1	\$35.00	\$52,420	\$45,443	0.00%
	Industrial	13,000,000	\$6.50	3	\$35.00	\$85,760	\$74,389	0.00%
	Sewer Service Total	51,250,000		495		\$370,167	\$313,443	552.67%
Total Operating Revenues		113,750,000		1,111		\$723,826	\$613,060	553.47%

MB - Multiple Buildings Served By A Single Meter

Calculation Methodology:

- (1) Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.
- (2) Customer Tap Fees, Deposits and Interest on Deposits are not included in any of the above computations.

**AVONDALE MILLS, INC.
2008-460-WS
SCHEDULE OF RATES AND CHARGES**

Exhibit WJM-5

Current

Proposed

WATER

1. Monthly Recurring Charges

RESIDENTIAL & COMMERCIAL CUSTOMERS:

Base Facility Charge	\$3.00 per month	\$8.00 per month
Commodity Charge	\$0.51 per 1000 gallons	\$4.50 per 1000 gallons

APARTMENT COMPLEX - MULTIPLE BUILDING SERVED BY A SINGLE METER:

Base Facility Charge	\$3.00 per month	\$50.00 per month
Commodity Charge	\$0.51 per 1000 gallons	\$4.50 per 1000 gallons

IRRIGATION CUSTOMERS:

Base Facility Charge	\$3.00 per month	\$12.00 per month
Commodity Charge	\$0.51 per 1000 gallons	\$5.65 per 1000 gallons

INDUSTRIAL CUSTOMERS:

Base Facility Charge	\$3.00 per month	\$50.00 per month
Commodity Charge	\$0.51 per 1000 gallons	\$4.50 per 1000 gallons

2. Nonrecurring Charges

Water Tap-In Fee For New Connections

A. 5/8" Meter	\$0.00	\$550.00
---------------	--------	----------

B. Meter tap fees for meters larger than 5/8" will be based on a single-family equivalent (SFE) using the DHEC contributory loading criteria.

3. Notification, Account Set-Up, and Reconnection Charges

- A. Notification Fee: A fee of five dollars (\$5.00) shall be charged each customer to whom the utility mails the notices prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- B. Customer Account Charge: A one time fee of \$15.00 will be charged to defray the cost of initiating a new customer's service.
- C. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$35.00 shall be due prior to the utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5.

AVONDALE MILLS, INC.
2008-460-WS
SCHEDULE OF RATES AND CHARGES

Exhibit WJM-5

4. Late Penalty Charge

Avondale may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

5. NSF Check Charge

Avondale may charge a NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

AVONDALE MILLS, INC.
2008-460-WS
SCHEDULE OF RATES AND CHARGES

Exhibit WJM-5

Current

Proposed

SEWER

1. Monthly Recurring Charges

RESIDENTIAL & COMMERCIAL CUSTOMERS:

Base Facility Charge	\$2.05 per month	\$6.00 per month
Commodity Charge	\$0.869 per 1000 gallons	\$6.50 per 1000 gallons

APARTMENT COMPLEX - MULTIPLE BUILDING SERVED BY A SINGLE METER:

Base Facility Charge	\$2.05 per month	\$35.00 per month
Commodity Charge	\$0.869 per 1000 gallons	\$6.50 per 1000 gallons

INDUSTRIAL CUSTOMERS:

Base Facility Charge	\$2.05 per month	\$35.00 per month
Commodity Charge	\$0.869 per 1000 gallons	\$6.50 per 1000 gallons

2. Nonrecurring Charges

Sewer Tap-In Fee For New Connections

A. 5/8" Meter	\$0.00	\$550.00
---------------	--------	----------

B. Meter tap fees for meters larger than 5/8" will be based on a single-family equivalent (SFE) using the DHEC contributory loading criteria.

3. Notification, Account Set-Up, and Reconnection Charges

- A. Notification Fee: A fee of five dollars (\$5.00) shall be charged each customer to whom the utility mails the notices prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- B. Customer Account Charge: A one time fee of \$15.00 will be charged to defray the cost of initiating a new customer's service.
- C. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R. 103-532.4.

4. Late Penalty Charge

Avondale may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

AVONDALE MILLS, INC.
2008-460-WS
SCHEDULE OF RATES AND CHARGES

Exhibit WJM-5

5. NSF Check Charge

Avondale may charge a NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or Public Service Commission rule.

AVONDALE MILLS, INC.
2008-460-WS
PERFORMANCE BOND REQUIREMENT

EXHIBIT WJM-6

Avondale Mills, Inc. - Water			
Bond Value Components	Application Per Books	After ORS's Proposed Accounting & Pro forma Adjustments	After Applicant's Proposed Increase Recalculated by ORS
Wages & Taxes	\$67,332	\$61,534	\$61,613
Contracted Labor	\$27,951	\$31,169	\$31,210
Power	\$3,328	\$3,328	\$3,332
Purchased Water	\$174,947	\$86,141	\$66,226
Purchased Sewer Treatment	\$6,640	\$29,065	\$29,102
Lab Testing	\$4,515	\$4,515	\$4,521
Treatment Chemicals	\$1,518	\$1,518	\$1,520
Maintenance & Repairs	\$108,325	\$50,100	\$50,165
Vehicle Expense	\$2,319	\$2,319	\$2,322
Office Supplies and Printing	\$2,196	\$2,427	\$2,430
Telephone Expense	\$2,196	\$1,771	\$1,774
Other Miscellaneous Expense	\$2,928	\$2,889	\$2,893
Licenses, Permits & Taxes	\$1,360	\$1,761	\$3,986
Rate Case Expenses	\$0	\$1,629	\$1,631
Bad Debt Expense	\$0	\$244	\$1,586
Income Taxes (State and Federal)	\$0	\$0	\$18,483
Bond Value Requirement	\$405,556	\$260,412	\$282,804
Avondale Mills, Inc. - Wastewater			
Bond Value Components	Application Per Books	After ORS's Proposed Accounting & Pro forma Adjustments	After Applicant's Proposed Increase Recalculated by ORS
Wages & Taxes	\$70,649	\$64,584	\$64,485
Contracted Labor	\$29,328	\$32,705	\$32,664
Power	\$3,492	\$3,492	\$3,488
Purchased Water	\$183,562	\$69,399	\$69,314
Purchased Sewer Treatment	\$6,968	\$30,496	\$30,459
Lab Testing	\$4,738	\$4,738	\$4,732
Treatment Chemicals	\$1,592	\$1,592	\$1,590
Maintenance & Repairs	\$113,660	\$52,568	\$52,503
Vehicle Expense	\$2,434	\$2,434	\$2,431
Office Supplies and Printing	\$2,304	\$2,547	\$2,544
Telephone Expense	\$2,304	\$1,859	\$1,856
Other Miscellaneous Expense	\$3,072	\$3,032	\$3,028
Licenses, Permits & Taxes	\$1,427	\$1,848	\$4,171
Rate Case Expenses	\$0	\$1,710	\$1,708
Bad Debt Expense	\$0	\$256	\$1,671
Income Taxes (State and Federal)	\$0	\$0	\$19,345
Bond Value Requirement	\$425,529	\$273,238	\$295,989
Avondale Mills, Inc. - Combined			
Bond Value Components	Application Per Books	After ORS's Proposed Accounting & Pro forma Adjustments	After Applicant's Proposed Increase Recalculated by ORS
Wages & Taxes	\$137,981	\$126,098	\$126,098
Contracted Labor	\$57,279	\$63,874	\$63,874
Power	\$6,820	\$6,820	\$6,820
Purchased Water	\$358,509	\$135,540	\$135,540
Purchased Sewer Treatment	\$13,608	\$59,561	\$59,561
Lab Testing	\$9,253	\$9,253	\$9,253
Treatment Chemicals	\$3,110	\$3,110	\$3,110
Maintenance & Repairs	\$221,985	\$102,668	\$102,668
Vehicle Expense	\$4,753	\$4,753	\$4,753
Office Supplies and Printing	\$4,500	\$4,974	\$4,974
Telephone Expense	\$4,500	\$3,630	\$3,630
Other Miscellaneous Expense	\$6,000	\$5,921	\$5,921
Licenses, Permits & Taxes	\$2,787	\$3,609	\$8,157
Rate Case Expenses	\$0	\$3,339	\$3,339
Bad Debt Expense	\$0	\$500	\$3,267
Income Taxes (State and Federal)	\$0	\$0	\$37,828
Bond Value Requirement	\$831,085	\$533,650	\$578,793
Current Performance Bond Structure (1)	Bond Value	Expiration Date	
Certificate of Deposit 00000006043074	\$60,000	Auto Renewal	
Total Financial Assurance	\$60,000		

(1) Certificate of Deposit secures performance bond of \$30,000 for water operations and \$30,000 for wastewater operations.

State of South Carolina
Before the
South Carolina Public Service Commission

RE:	Application of Avondale Mills, Inc.) For Approval of a New Schedule of Rates) and Charges for Water and Sewerage) Services Provided to Customers)	Docket No. 2009-342-WS
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EXHIBIT E

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

CHRISTINA A. STUTZ

APRIL 9, 2009

RECEIVED APR 13 2009



DOCKET NO. 2008-460-WS

**Application of Avondale Mills, Incorporated
for Approval of a New Schedule of Rates and
Charges for Water and Sewerage Services
Provided to Customers in Aiken County,
South Carolina**

1 **DIRECT TESTIMONY OF CHRISTINA A. STUTZ**
2 **FOR**
3 **THE OFFICE OF REGULATORY STAFF**
4 **DOCKET NO: 2008-460-WS**
5 **IN RE: AVONDALE MILLS, INCORPORATED FOR**
6 **APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR**
7 **WATER AND SEWERAGE SERVICES PROVIDED TO CUSTOMERS IN**
8 **AIKEN COUNTY, SOUTH CAROLINA**

9
10 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
11 **OCCUPATION.**

12 **A.**My name is Christina A. Stutz. My business address is 1401 Main Street,
13 Suite 900, Columbia, South Carolina, 29201. I am employed by the South
14 Carolina Office of Regulatory Staff ("ORS") as an Auditor.

15 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
16 **EXPERIENCE.**

17 **A.**I received a Bachelor of Science degree with a major in Accounting and
18 minor in Criminal Justice from the University of South Carolina in 2004. In April
19 2005, I began my employment with ORS, where I have been performing
20 regulatory reviews of utility companies.

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
22 **PROCEEDING?**

1 **A.** The purpose of my testimony is to set forth my findings and
2 recommendations resulting from ORS's examination of the Application, filed on
3 December 23, 2008, of Avondale Mills, Inc. for approval of a new schedule of rates
4 and charges for water and sewerage services provided to customers. My testimony
5 will refer to Avondale Mills, Inc. ("Avondale" or "Applicant"), the only system of
6 Avondale Incorporated ("parent company") operating in South Carolina.

7 **Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR**
8 **TESTIMONY.**

9 **A.** I have attached the following exhibits to my testimony relating to the
10 Application of Avondale Mills, Inc.:

- 11 • Audit Exhibit CAS-1: Operating Experience and Operating Margin
- 12 • Audit Exhibit CAS-2: Explanation of Adjustments
- 13 • Audit Exhibit CAS-3: Computation of Depreciation Expense
- 14 • Audit Exhibit CAS-4: Computation of Income Taxes

15 These exhibits were either prepared by me or were prepared under my direction
16 and supervision in compliance with recognized accounting and regulatory
17 procedures for water and wastewater utility rate cases. These exhibits show
18 various aspects of Avondale's operations and financial position.

19 **Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT CAS-1 AND**
20 **ELABORATE ON THE CALCULATIONS.**

21 **A.** Audit Exhibit CAS-1 shows Avondale's operating experience and operating
22 margin for water and wastewater operations for the test year ended August 29,
23 2008. The exhibit's format is designed to reflect the Application per books and

1 ORS's proposed accounting and pro forma adjustments necessary to normalize the
2 results of Avondale's test year operations.

3 Column (1) shows the Application per books calculated by Avondale for the test
4 year ended August 29, 2008. The net operating loss for return of (\$864,725) was
5 based on total operating revenues of \$110,816 less total operating expenses of
6 \$975,541. The operating margin of (780.33%) was calculated by dividing the net
7 operating loss for return by the total operating revenues.

8 Column (2) shows ORS's proposed accounting and pro forma adjustments designed
9 to normalize the Application per books. An explanation of each adjustment is
10 contained in Audit Exhibit CAS-2.

11 Column (3) shows ORS's result of a normalized test year for Avondale by adding
12 columns (1) and (2). The net effect of ORS's proposed accounting and pro forma
13 adjustments resulted in a net operating loss of (\$475,952) and an operating margin
14 of (429.69%).

15 Column (4) shows Applicant's proposed increase recalculated by ORS and the
16 calculation of taxes associated with the proposed increase. An explanation of each
17 adjustment is contained in Audit Exhibit CAS-2.

18 Column (5) shows the effect of the Applicant's proposed rate increase by adding
19 columns (3) and (4). The net effect after the Applicant's proposed rate increase
20 resulted in net operating income for return of \$91,965 and an operating margin of
21 12.71%.

22 **Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT CAS-2.**

1 A. For comparative purposes, ORS and Applicant's adjustments are both
2 presented in Audit Exhibit CAS-2. The following adjustments are listed at Audit
3 Exhibit CAS-2 under "Adj. #":

4 Adjustment 1 - The ORS Water/Wastewater Department proposes to normalize
5 sewer revenues for the test year. Details of the adjustment for (\$50) are in the
6 direct testimony of ORS Water/Wastewater Manager, Willie Morgan.

7 Adjustment 2 - ORS proposes to annualize wages and taxes for the test year. The
8 Company employs one (1) full time employee and three (3) part-time employees
9 with wages allocated from the parent company. Wages were annualized using the
10 payroll records as of August 30, 2008. ORS calculated total annualized wages of
11 \$118,019, less the Application per book amount of \$130,922, for an adjustment of
12 (\$12,903). In addition, ORS calculated annualized payroll taxes associated with
13 these wages of \$8,079, less the Application per book amount of \$7,059, for an
14 adjustment of \$1,020. The total combined adjustments were (\$11,883).

15 Adjustment 3 - ORS proposes to annualize contracted labor expenses using the last
16 quarter of the test year. The Company experienced an increase in contracted labor
17 costs due to the loss of one employee in December 2007. ORS calculated total
18 annualized contracted labor expenses of \$63,874, less the Application per book
19 amount of \$57,279, for a total adjustment of \$6,595.

20 Adjustment 4 - The ORS Water/Wastewater Department proposes to adjust for
21 "unaccounted for water" in the test year. The adjustment is explained in the direct
22 testimony of ORS Water/Wastewater Manager, Willie Morgan.

1 Adjustment 5 - ORS proposes to annualize sewer treatment expenses based on
2 billings from the Aiken County Public Service Authority for the quarter ending
3 December 2008. ORS calculated annualized treatment expenses of \$59,561, less
4 the Application per book amount of \$13,608, for a total adjustment of \$45,953.

5 Adjustment 6 - ORS proposes to remove from maintenance expenses capitalized
6 items of \$104,612, double booked expenses of \$4,461, expenses incurred outside of
7 the test year of \$1,947, and unregulated utility expenses for the Horse Creek Pump
8 of \$8,297. The total adjustment was (\$119,317).

9 Adjustment 7 - ORS proposes to adjust depreciation on fixed assets as of August
10 29, 2008 to reflect useful lives recommended by the ORS Water/Wastewater
11 Department. ORS also proposes to include additional capitalized items and remove
12 unregulated utility items. ORS calculated total depreciation expense of \$53,068,
13 less the Application per book depreciation expense of \$144,456, for a total
14 adjustment of (\$91,388) as shown on Audit Exhibit CAS-3.

15 Adjustment 8 - ORS proposes to adjust for actual postage expense to mail customer
16 billings. The adjustment was based on 616 monthly customer bills times \$.42 for
17 twelve months. ORS calculated total postage of \$3,105, less the Application per
18 book amount of \$2,631, for a total adjustment of \$474.

19 Adjustment 9 - ORS proposes to normalize test year allocated telephone expenses.
20 The parent company booked \$13,787 as total telephone expenses. From this
21 amount, ORS removed past due payments of \$3,342 and annualized expenses by
22 adding \$931 for August 2008 for a total of \$11,376. The parent company allocated
23 20% of these expenses totaling \$2,275 to Avondale. Also included were cell phone

1 expenses for Avondale's full-time employee of \$1,355. ORS calculated total
2 telephone expenses for Avondale of \$3,630, less the Application per book amount
3 of \$4,500, for a total adjustment of (\$870).

4 Adjustment 10 - ORS proposes to adjust total parent company miscellaneous
5 expenses of \$507,079, which were allocated to Avondale. ORS removed from this
6 amount the liquidation expenses of \$148, entertainment expenses of \$715, and rate
7 case expenses of \$5,800 used in the calculation of Total Rate Case Expense. After
8 removing these expenses, 1.18% of total miscellaneous expenses of \$500,415 were
9 allocated to Avondale. ORS calculated the amount allocated to Avondale of
10 \$5,921, less the Application per book amount of \$6,000, for an adjustment of (\$79).

11 Adjustment 11 - ORS proposes to adjust gross receipts taxes associated with the
12 revenues after ORS's proposed accounting and pro forma adjustments. ORS
13 multiplied the total operating revenues for the test year of \$110,766 by the gross
14 receipts factor of .0074178 for an adjustment of \$822.

15 Adjustment 12 - ORS proposes to amortize the rate case expenses incurred in this
16 rate case proceeding. ORS verified the actual rate case expenses documented as of
17 March 31, 2009 for the amount of \$10,017. This amount was amortized over a
18 three-year period for an adjustment of \$3,339.

19 Adjustment 13 -- ORS proposes to adjust for bad debt expense associated with the
20 Company's revenue after ORS's proposed accounting and pro forma adjustments.
21 The bad debt expense factor of 0.4514% was provided by ORS Water/Wastewater
22 Manager, Willie Morgan. This percentage was applied to the total operating
23 revenues of \$110,766 for an adjustment of \$500.

1 Adjustment 14 - Based upon ORS Water/Wastewater Department calculations,
2 Avondale's proposed rates would produce additional revenues of \$299,617 for
3 Metered Water Revenues. Details of this adjustment are shown in Mr. Morgan's
4 direct testimony.

5 Adjustment 15 - Based upon ORS Water/Wastewater Department calculations,
6 Avondale's proposed rates would produce additional revenues of \$313,443 for
7 Sewer Revenues. Details of this adjustment are shown in Mr. Morgan's direct
8 testimony.

9 Adjustment 16 - ORS proposes to adjust gross receipts taxes associated with the
10 revenues after the proposed increase. ORS multiplied the total gross revenues after
11 the proposed increase of \$613,060 by the gross receipts factor of .0074178 for an
12 adjustment of \$4,548.

13 Adjustment 17 - ORS proposes to adjust for bad debt expense associated with the
14 Company's recalculated proposed rate increase. The bad debt expense factor of
15 0.4514% was provided by ORS Water/Wastewater Manager, Willie Morgan. This
16 percentage was applied to the total proposed increase amount of \$613,060 for an
17 adjustment of \$2,767.

18 Adjustment 18 - ORS proposes to adjust for income taxes associated with the
19 applicant's proposed rate increase. See Audit Exhibit CAS-4 for the computation
20 of income taxes.

21 **Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.**

22 **A.** Audit Exhibit CAS-3 shows the computation of depreciation expense.
23 Depreciation expense was annualized using useful lives determined by the ORS

1 Water/Wastewater Department. Audit Exhibit CAS-4 shows the computation of
2 the state and federal income taxes based on taxable income after the Applicant's
3 proposed increase recalculated by ORS.

4 **Q. DOES THE APPLICANT MAINTAIN ITS BOOKS AND RECORDS IN**
5 **ACCORDANCE WITH PSC RULES AND REGULATIONS?**

6 A. The Applicant did not utilize the National Association of Regulatory Utility
7 Commissioners ("NARUC") Uniform System of Accounts for Water and
8 Wastewater Utilities. In addition, the water and sewer operations of Avondale
9 Mills, Inc. were not maintained as separate books and records, but as a separate
10 category on the books and records of its parent company.

11 **Q. BASED ON THE ABOVE CONCERNS, DOES ORS HAVE ANY**
12 **RECOMMENDATIONS FOR THE APPLICANT?**

13 A. Yes. ORS recommends that the Applicant be required to maintain the
14 water and wastewater operations of Avondale Mills, Inc. in accordance with the
15 NARUC Uniform System of Accounts for Class C Utilities. This entails using the
16 NARUC account numbering system as well as producing a general ledger and
17 separate financial statements for the water and wastewater operations.

18 **Q. WHAT IS THE RESULTING OPERATING MARGIN AFTER APPLYING**
19 **ORS'S CALCULATION OF THE APPLICANT'S PROPOSED RATE**
20 **INCREASE?**

21 A. Based on ORS's proposed accounting and pro forma adjustments and after
22 the Applicant's proposed increase recalculated by ORS, the resulting operating
23 margin was 12.71%, as shown on Audit Exhibit CAS-1.

- 1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
- 2 **A. Yes.**

Avondale Mills, Inc.
Docket No. 2008-460-WS
Operating Experience and Operating Margin
For the Test Year Ended August 29, 2008

	(1)	(2)	(3)	(4)	(5)
	Application Per Books	ORS's Proposed Accounting & Pro forma Adjustments	After ORS's Proposed Accounting & Pro forma Adjustments	Applicant's Proposed Increase Recalculated by ORS	After Applicant's Proposed Increase Recalculated by ORS
<u>Operating Revenues</u>					
Metered Water Revenues*	\$ 54,052	\$ 0	\$ 54,052	\$ 299,617 (N)	\$ 353,669
Sewer Revenues*	56,764	(50) (A)	56,714	313,443 (O)	370,157
<u>Total Operating Revenues</u>	\$ 110,816	\$ (50)	\$ 110,766	\$ 613,060	\$ 723,826
<u>Operating Expenses</u>					
Wages & Taxes	\$ 137,981	\$ (11,883) (B)	\$ 126,098	\$ 0	\$ 126,098
Contracted Labor	57,279	6,595 (C)	63,874	0	63,874
Power	6,820	0	6,820	0	6,820
Purchased Water	358,509	(222,969) (D)	135,540	0	135,540
Purchased Sewer Treatment	13,608	45,953 (E)	59,561	0	59,561
Lab Testing	9,253	0	9,253	0	9,253
Treatment Chemicals	3,110	0	3,110	0	3,110
Maintenance & Repairs	221,985	(119,317) (F)	102,668	0	102,668
Vehicle Expense	4,753	0	4,753	0	4,753
Depreciation	144,456	(91,388) (G)	53,068	0	53,068
Office Supplies and Printing	4,500	474 (H)	4,974	0	4,974
Telephone Expense	4,500	(870) (I)	3,630	0	3,630
Other Miscellaneous Expense	6,000	(79) (J)	5,921	0	5,921
Licenses, Permits & Taxes	2,787	822 (K)	3,609	4,548 (P)	8,157
Rate Case Expenses	0	3,339 (L)	3,339	0	3,339
Bad Debt Expense	0	500 (M)	500	2,767 (Q)	3,267
Income Taxes (State and Federal)	0	0	0	37,828 (R)	37,828
<u>Total Operating Expenses</u>	\$ 975,541	\$ (388,823)	\$ 586,718	\$ 45,143	\$ 631,861
<u>Net Operating Income (Loss) for Return</u>	\$ (864,725)	\$ 388,773	\$ (475,952)	\$ 567,917	\$ 91,965
<u>Operating Margin</u>	-780.33%		-429.69%		12.71%

*Separation of water and sewer revenues provided by the ORS Water/Wastewater Department

AUDIT EXHIBIT CAS-2

**Avondale Mills, Inc.
Docket No. 2008-460-WS
Explanation of Adjustments
For the Test Year Ended August 29, 2008**

Revenues and Expenses	Adj.#	Description	\$ ORS	\$ Applicant
<u>ORS's Proposed Accounting and Pro forma Adjustments</u>				
(A) Sewer Revenues	1	To normalize revenues for the test year.	(50)	0
(B) Wages & Taxes	2	To annualize wages and taxes.	(11,883)	4,139
(C) Contracted Labor	3	To annualize contracted labor.	6,595	1,718
(D) Purchased Water	4	To adjust for "unaccounted for water."	(222,969)	(222,969)
(E) Purchased Sewer Treatment	5	To annualize expenses for sewer treatment services.	45,953	46,152
(F) Maintenance & Repairs	6	To remove items to be capitalized, incorrectly booked amounts, outside of test year expenses, and nonrelated Company expenses.	(119,317)	(109,073)
(G) Depreciation	7	To adjust depreciation expense based on service lives recommended by ORS Water/Wastewater Department, include capitalized items, and remove unregulated items.	(91,388)	12,119
(H) Office Supplies & Printing	8	To adjust postage expense for actual customer billings.	474	0
(I) Telephone Expense	9	To normalize telephone expenses for the test year.	(870)	0
(J) Other Miscellaneous Expense	10	To adjust miscellaneous expenses for removal of nonallowable amounts.	(79)	0
(K) Licenses, Permits, & Taxes	11	To adjust gross receipts taxes associated with revenues after ORS Proposed Accounting and Pro forma Adjustments.	822	0
(L) Rate Case Expenses	12	To amortize total rate case expenses over a three-year period.	3,339	17,500
(M) Bad Debt Expense	13	To adjust for uncollectible revenues associated with revenues after ORS Proposed Accounting and Pro forma Adjustments.	500	0
<u>Applicant's Proposed Increase Recalculated by ORS</u>				
(N) Metered Water Revenues	14	To adjust water revenues for ORS's recalculation of the Company's proposed rate increase.	299,617	299,617
(O) Sewer Revenues	15	To adjust sewer revenues for ORS's recalculation of the Company's proposed rate increase.	313,443	313,393
(P) Licenses, Permits, & Taxes	16	To adjust for gross receipts taxes associated with the Company's proposed rate increase.	4,548	4,547
(Q) Bad Debt Expense	17	To adjust for uncollectible revenues associated with the Company's proposed rate increase.	2,767	0
(R) Income Taxes (State and Federal)	18	To adjust for income taxes associated with the Company's proposed rate increase.	37,828	0

Avondale Mills, Inc.
Docket No. 2008-460-WS
Computation of Depreciation Expense
For the Test Year Ended August 29, 2008

	Date Acquired	Asset Number	Description	Amount \$	Service Life Years	Rate %	Expense \$
Fixed Assets Per Application:							
			<u>Buildings:</u>				
1	6/1/2001	137250	Water System Design	18,765	30	3.33%	625
2	8/1/2001	137591	Water System Design	38,754	30	3.33%	1,291
				57,519			1,916
			<u>Machinery & Equipment:</u>				
3	8/1/2001	137493	Engineering Services	4,000	30	3.33%	133
4	3/1/2002	138088	Water System Upgrade	132,587	30	3.33%	4,415
5	3/1/2002	138089	Water System Upgrade	86,223	30	3.33%	2,871
6	5/1/2002	138222	Water System Upgrade	96,105	30	3.33%	3,200
7	5/1/2002	138223	Water System Upgrade	110,321	30	3.33%	3,674
8	5/1/2002	138224	Water System Upgrade	4,300	30	3.33%	143
9	6/1/2002	138312	Water System Upgrade	1,300	30	3.33%	43
10	6/1/2002	138313	Water System Upgrade	42,473	30	3.33%	1,414
11	6/1/2002	138314	Water System Upgrade	92,385	30	3.33%	3,076
12	6/1/2002	138329	Maintenance Labor	93	30	3.33%	3
13	7/1/2002	138385	Water System Upgrade	4,685	30	3.33%	156
14	7/1/2002	138386	Water System Upgrade	59,931	30	3.33%	1,996
15	7/1/2002	138387	Water System Upgrade	21,031	30	3.33%	700
16	8/1/2002	138463	Goulds Pump	22,235	15	6.67%	1,483
17	8/1/2002	138464	Water System Upgrade	55,559	30	3.33%	1,850
18	8/1/2002	138465	6" & 8" Valves	6,571	20	5.00%	329
19	9/1/2002	138563	Water System Upgrade	34,124	30	3.33%	1,136
20	9/1/2002	138564	Water System Upgrade	8,026	30	3.33%	267
21	9/1/2002	138567	M-900 PLC Pipe	10,208	20	5.00%	510
22	9/1/2002	138568	Water System Upgrade	38,763	30	3.33%	1,291
23	11/1/2002	138736	Upgrade Water System	2,864	30	3.33%	95
24	11/1/2002	138755	Water System Upgrade	1,726	30	3.33%	57
25	1/1/2003	138896	Water System Upgrade	3,705	30	3.33%	123
26	1/1/2003	138897	Flowsolve Tank	4,950	9	11.11%	550
27	1/1/2003	138898	AC Model 3408 Pump	7,971	15	6.67%	532
28	2/1/2003	139005	Water System Upgrade	17,050	30	3.33%	568
29	3/1/2003	139104	Survey and Test Water Flow	746	9	11.11%	83
30	10/1/2003	139717	6" & 8" Valves	8,278	20	5.00%	414
31	11/1/2003	139763	Freight	361	9	11.11%	40
32	11/1/2003	139764	Electric Labor	790	UR	UR	UR
33	12/1/2003	139815	900 MHZ Repeater System	10,242	UR	UR	UR
34	12/1/2003	139816	Electric Labor	1,402	UR	UR	UR
35	12/1/2003	139817	SS Valve Box	392	UR	UR	UR
36	12/1/2003	139818	Water Line & French Drains	59,275	UR	UR	UR
37	12/1/2003	139819	Water System Upgrade	2,002	UR	UR	UR
38	1/1/2004	139857	Electric Labor	1,022	UR	UR	UR
39	10/1/2004	140396	Pipe Fittings	485	UR	UR	UR
40	11/1/2004	140445	Honeywell Truline Recorder	1,854	UR	UR	UR
41	12/1/2004	140495	Electric Materials	251	UR	UR	UR
42	12/1/2004	140496	PH controls	6,024	UR	UR	UR
43	5/1/2005		Water System Upgrade	956	N/A	N/A	N/A
				963,266			31,152

	Date Acquired	Asset Number	Description	Amount \$	Service Life Years	Rate %	Expense \$
<u>Fixed Assets Per Application (Continued):</u>							
			<u>Land:</u>				
44	5/1/1996	126775	1.58 Acres	12,640	N/A	N/A	N/A
				12,640			
			<u>Buildings:</u>				
45	5/1/1996	126776	Water Treatment Building	110,000	6	16.67%	FD
				110,000			
			<u>Machinery & Equipment:</u>				
46	8/1/1996	127219	Wastewater Discharge Upgrade	3,000	9	11.11%	FD
47	8/1/1996	127220	Wastewater Discharge Upgrade	384	9	11.11%	FD
48	8/1/1996	127221	Wastewater Piping	1,121	9	11.11%	FD
49	11/1/1996	127690	Wastewater Piping	1,281	9	11.11%	FD
50	12/1/1996	127813	Equalization Lagoon Piping	281,438	9	11.11%	FD
51	12/1/1996	127814	Lagoon Piping Project	1,486	9	11.11%	FD
52	12/1/1996	127815	Equalization Lagoon Piping	41,113	9	11.11%	FD
53	1/1/1997	127966	Wastewater Piping	4,278	9	11.11%	FD
54	9/1/2001	137705	Engineering Labor	7,680	22	4.55%	349
55	11/1/2001	137846	Engineering for Sewer System	1,600	22	4.55%	73
56	12/1/2001	137906	Sanitary Sewer Line	23,436	22	4.55%	1,066
57	1/1/2002	137963	Sewer Design	4,774	22	4.55%	217
58	1/1/2002	137964	Divert Sanitary Sewer	38,471	15	6.67%	2,566
59	2/1/2002	138025	Sewer System Upgrade	2,400	22	4.55%	109
60	4/1/2002	138185	Sewer System Upgrade	174,592	22	4.55%	7,944
61	9/1/2002	138570	Sewer System Upgrade	1,835	22	4.55%	83
62	3/1/2003	139105	PH Control	15,300	9	11.11%	1,700
				604,189			14,107
<u>Additional Items Capitalized by ORS:</u>							
63	10/14/2008		Engineering Services - BP Barber	3,338	17	5.88%	196
64	12/3/2008		Leak Detection - American Leak Detection	7,500	17	5.88%	441
65	1/3/2009		Engineering Services - BP Barber	23,551	17	5.88%	1,385
66	2/29/2008		Relocate water main & sewer main for track relocation	104,612	27	3.70%	3,871
				139,001			5,893
Total Fixed Assets & Depreciation Expense				1,886,615			53,068
Less: Per Book Depreciation Expense							144,456
ORS's Proposed Depreciation Expense Adjustment							(91,388)

FD= Fully Depreciated

N/A= Not Applicable

UR=Unregulated Utility Activity

AUDIT EXHIBIT CAS-4

**Avondale Mills, Inc.
Docket No. 2008-460-WS
Computation of Income Taxes
For the Test Year Ended August 29, 2008**

Description	After Applicant's Proposed Increase Recalculated by ORS
Total Operating Revenues	\$ 723,826
Less: Operating Expenses	<u>594,033</u>
State Taxable Income	129,793
Less: State Income Taxes @ 5%	<u>6,490</u>
Federal Taxable Income	123,303
Federal Income Taxes:	
1st \$50,000 @ 15%	7,500
Next \$25,000 @ 25%	6,250
Next \$25,000 @ 34%	8,500
Remaining Balance @ 39%	<u>9,088</u>
Total Federal Income Taxes	31,338
Total State and Federal Income Taxes	37,828
Less: Income Taxes after ORS's Proposed Accounting and Pro forma Adjustments	<u>0</u>
ORS's Income Taxes (State and Federal) Adjustment	<u><u>\$ 37,828</u></u>

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2008-460-WS

IN RE:

Application of Avondale Mills, Incorporated for)	
Approval of a New Schedule of Rates and)	
Charges for Water and Sewerage Services)	CERTIFICATE OF
Provided to Customers in Aiken County, South)	SERVICE
Carolina)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **DIRECT TESTIMONY AND EXHIBITS OF CHRISTINA A. STUTZ AND WILLIE J. MORGAN** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Jack R. Altherr Jr., President
Avondale Mills, Incorporated
506 South Broad Street
Monroe, GA, 30655

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April 9, 2009
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